

# GOVERNOR'S TASK FORCE



## on Contracting Reform

### Property Management Working Group

#### DRAFT RECOMMENDATIONS

August 16, 2004

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Governor's Task Force on Contracting Reform  
Property Management Working Group

GOVERNORS TASK FORCE



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## OVERVIEW

The Property Management Workgroup of the Governor's Task Force on Contracting Reform was charged with reviewing the selection and contract processes used by state agencies for the hiring of property management firms. As directed, the Property Management Workgroup took into account the following themes defined by the Task Force and the Governor:

1. Adopting clear and consistent procedures to evaluate bids and contractor performance,
2. Requiring agencies to maintain complete, clear and open records of the contractor selection process, including written justification for decisions by those involved in the selection process,
3. Establishing a binding and enforceable code of ethics for all those conducting business with the state,
4. Authorizing the suspension of contractors engaged in wrong doing related to existing state contracts,
5. Requiring all contractors, not only those with large state contracts, to adhere to laws concerning disclosure of gifts to state employees,
6. Implementing provisions of the Governor's Executive Order #1 and recent contracting reform legislation.

The Property Management Workgroup also addressed these major themes:

Integrity and fairness, transparency, industry best practices, checks and balances, service, and cost effectiveness.

The Property Management Workgroup's research included working group meetings, various interviews and surveys involving state agencies, property management firms and industry organizations, and data compilation of best practices and existing policies and procedures. These results and materials have been included as part of the exhibits in the appendix.

## **OBSERVATIONS**

The Property Management Workgroup offers the following observations and recommendations to the Task Force for consideration, in preparation of the final report.

Over thirteen (13) agencies were contacted in order to determine the extent of use of private property management firms by the state. With only a few exceptions, the majority of state agencies and institutions manage their facilities in house. Those agencies that do contract with property management firms (Department of Public Works, Judicial, Office of Legislative Management, Department of Public Safety, and Department of Transportation) use these firms in varying capacities ranging from full to limited service. These services can include day to day management and maintenance, tenant relations and fiduciary responsibility for contracting services required to maintain the facility.

All state government entities contract for various aspects of building maintenance needs depending on budget and staffing levels. Primarily this includes, trash and waste removal, snow removal, landscaping, pest control, security, etc. To a lesser degree mechanical and electrical maintenance, housekeeping, and other services are contracted as well.

In these instances, all agencies contacted primarily use the Department of Administrative Services (DAS) process, bidding requirements, and approved lists of Small Business and Minority and Women owned Business Enterprises (SBWMBE).

As noted above, of the agencies and universities surveyed, five (5) agencies hire property management firms: Department of Transportation (DOT), Department of Public Works (DPW), Judicial, Department of Public Safety (DPS), and the Office of Legislative Management (OLM). Of these, DPW and Judicial use full service property managers.

### *Service Solicitation Methodology*

The basic methodology for selection is similar for all agencies. Differences exist as to the RFP content, contract vehicle, cost as a factor, selection committee membership composition, approval process and other minor variances.

It should be noted that on a square footage basis, less than 15% of the states facilities are managed by outside firms. Of the facilities managed by these firms, approximately 75% is done by DPW.

As well as the gift affidavit and disclosure requirements, agencies had implemented various versions of deterrents of manipulation of the process such as non-collusion and conflict of interest statements requiring signatures by both the firms and the panel members rating proposals. In addition to these measures, a strong administrative component available in all property management contracts is the thirty (30) day cancellation without cause clause. This protects the State should the performance of the firm decline.

These agencies use similar soliciting methodology but vary in the selection and contract process:

1. DOT:

The majority of DOT does not utilize Property Management companies, however, the Bureau of Public Transportation does use Property Managers to handle various combinations of grounds maintenance, trash and litter pick-up and removal, snow removal, elevators, fire alarms, and general building maintenance at some of its rail and transportation facilities.

2. DPW:

Hires property management firms via PSA for full service property management. This constitutes about 90% of its portfolio. In-house staff manages the remainder of the locations. (5,000,000 square feet of managed property) Whereas the other agencies only service their agency; DPW is responsible for the managing the majority of the state's agencies as tenants.

3. Judicial:

Hires property management firms via Purchase Order/contract for about 30% of its portfolio. In-house staff manages other locations. (1,000,000 square feet of managed property)

4. DPS:

Hires property management firms via a Personal Services Agreement (PSA) with limited scope responsibilities. In-house staff manages most services. (400,000 square feet of managed property)

5. OLM:

Hires property management firms to manage and maintain the mechanical/electrical systems and perform housekeeping. In-house staff utilizes Requests for Proposals (RFP's) for all other services. (400,000 square feet of managed property)

*Selection Process Summary*

Below follows a brief description of the selection processes used and the various criteria applied to evaluating proposers' responses.

1. DOT (See Appendix V)

Notification of the RFP is advertised in the newspaper. There is a mandatory pre-bid conference. The RFP identifies the selection criteria, scoring method, and weighting.

Listed qualifications and cost are evaluated and rated by a Proposal Evaluation Team. Interviews are conducted and a firm is selected.

## 2. DPW (See Appendix I)

Notification of the RFP is advertised via web posting and in newspapers. There is a mandatory walk through for prospective proposers. The selection committee members score written proposals and oral interviews.

The selection committee is made up of a non-voting chair from the DPW finance/purchasing group. This provides for administrative consistency and records retention.

The voting members consist of: one (1) DPW Facilities Management employee from the Property Management Unit, one (1) DPW Facilities Management employee from the general department, one (1) DAS employee from the contracts group and one (1) employee from each major tenant agency that occupies the facility.

The rating criteria are as follows:

- Written response (proposal) to the RFP
- Oral interview
- Cost (done separately by Chair only)
- Report card

The rating sheet results are evaluated and ranked in priority by the Chair. The top ranked firm becomes the recommended selection. This is reviewed by Administrator of Facilities, the Deputy Commissioner and approved by Commissioner. The PSA is the contract vehicle.

## 3. JUDICIAL (See Appendix II)

Notification of the RFP is advertised in newspapers. There is a mandatory walk through. The selection committee is made up of a non-voting chair from Judicial purchasing. The voting members consist of one (1) facilities employee, three (3) Judicial employees (Clerk's office), and one (1) Judicial employee from a pool of employees.

Scoring is based on the written proposal with the following criteria:

- Project understanding
- Experience
- Work plan
- Staff plan
- Price

A quality per cost ("best quality") rating factor is derived to rank the firms. The Director of Procurement approves the recommendation. A Purchase Order is the contract vehicle.

4. DPS (See Appendix IV)

Property management firms are used in a limited capacity to manage housekeeping needs.

An RFP is advertised in the newspaper and there is a mandatory walk through. Proposals are opened (the public can attend). The selection committee is made up of purchasing, facilities management and the affected Troop's personnel. The proposals are evaluated with a list of objective criteria.

Based on the highest score, a company is selected. A PSA is the contract vehicle.

5. OLM (See Appendix III)

An RFP is advertised in newspapers. There is a non-mandatory walk through. Property management firms manage maintenance, housekeeping and pest control. The Facilities Department through RFPs, solicits all other services.

Selection is done by facilities and purchasing. The evaluation criteria are not weighted. There is a detailed list of criteria which includes: background, experience, company references, the full service approach, the qualifications of key staff, cost, and quality and completeness of submissions.

The recommendation goes to the six (6) top legislative leaders, then a contract is written and finally approved by the Senate President Pro Tempore and Speaker of the House of Representatives.



## RECOMMENDATIONS

### Recommendation #1

<i>Current Situation:</i>	The agencies that use property management firms have different contract delivery methods.
<i>Problem:</i>	Lack of a standard method of contracting with property management firms can make it difficult for the state to track this data. Different contract types for providing the same service may lead to discrepancies that could be to the state's disadvantage, particularly since many of the same firms have contracts with many different agencies.
<i>Cause of Problem:</i>	As each agency's need arose to hire a property management firm, the decision on what contract method was to be used was done on an agency by agency basis and not holistically. PSAs (Personal Service agreements), and contracts are both used.
<i>Recommendations for Improvements:</i>	To the extent possible, agencies should adopt a similar method of contracting for property management services. It is felt that the contract method used by Judicial should be considered as the model. At a minimum, property management contract guidelines should be established to create consistency.
<i>Themes:</i>	Consistency, transparency, fairness, cost effectiveness.

## **Recommendation #2**

<i>Current Situation:</i>	The criteria and selection process varies.
<i>Problem:</i>	Different weighting factors, criteria, selection panel compositions, and RFP's are used by the agencies hiring property management firms. These multiple processes can create inconsistencies as well as become confusing to proposers and the public, creating a negative perception about level playing fields.
<i>Cause of Problem:</i>	The process was developed based on the particular agency's assessment of what factors are of importance. Differences in the types of properties managed would also account for the variances in the RFP (Request for Proposal) weight factors, and process. (Example: Legislative Office Building, Courthouses, office buildings, and transportation facilities).
<i>Recommendations for Improvement:</i>	Establish an external body with experience in property management and the contracting process. This external body would approve and endorse each agency's selection process. Deviations or changes to the approved selection process would require new review and approval. The external body would also hear any appeals regarding the selection process.
<i>Themes:</i>	Consistency, integrity, transparency, fairness, service.

### **Recommendation #3**

<i>Current Situation:</i>	The same property management firms submit proposals for state properties.
<i>Problem:</i>	There is a perception of an uneven playing field and a closed process. Pass-through costs and fees are not reimbursed in a timely (30 day) manner. This is a disadvantage to small firms, as they cannot carry the financial burden. Larger firms will not bid, as pass-throughs are not allowed under company policy.
<i>Cause of Problem:</i>	Requiring firms to carry substantial costs up front and await reimbursement limits responses to RFPs.
<i>Recommendations for Improvement:</i>	The method currently employed by the Office of Legislative management for maintenance of the LOB and Capitol is the most expedient. However, for the agencies that contract with a high percentage of property management firms for multiple facilities (such as DPW) more purchasing personnel would need to be hired to make this system feasible. Therefore, the recommendation is to improve the financial reimbursement processing times.
<i>Themes:</i>	Level playing field, encourage SMWBEs, fairness.

#### **Recommendation #4**

<i>Current Situation:</i>	Currently no pre-qualification or licensing of property management firms or individuals exists.
<i>Problem:</i>	Qualification standards vary and are subjective. Inconsistent requirements affect the level of service and value the state receives.
<i>Cause of Problem:</i>	Property management has not had the history of requiring licensing.
<i>Recommendations for Improvement:</i>	Establish standards and guidelines for pre-qualification and registration of commercial property management firms. Explore the possibility of licensing or registration of property management individuals. This could also serve as an enforce mechanism against firms engaged in any wrongdoing. This recommendation would also allow the state to notify firms electronically via e-alert of available requests for services and other related information. The same external body (#2) could be utilized for establishing these requirements.
<i>Themes:</i>	Consistency, performance, quality, integrity.

## **Recommendation #5**

<i>Current Situation:</i>	Transparency of the property management selection process is not evident.
<i>Problem:</i>	It is difficult for the public to access information regarding the selection processes used by the state to hire property management firms. This causes a negative public perception.
<i>Cause of Problem:</i>	Lack of coordination among agencies to utilize existing technology.
<i>Recommendations for Improvement:</i>	On the state's website, create a clear, user friendly location that lists all the property management contracts and the backup behind each contract from RFP issuance to final contract and annual budgets. (Create a single portal and apply to all statewide contracts)
<i>Themes:</i>	Integrity, transparency, fairness.